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~~Eyes Only~~

The President's Daily Brief

February 22, 1975

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~~*Top Secret*~~ 25X1

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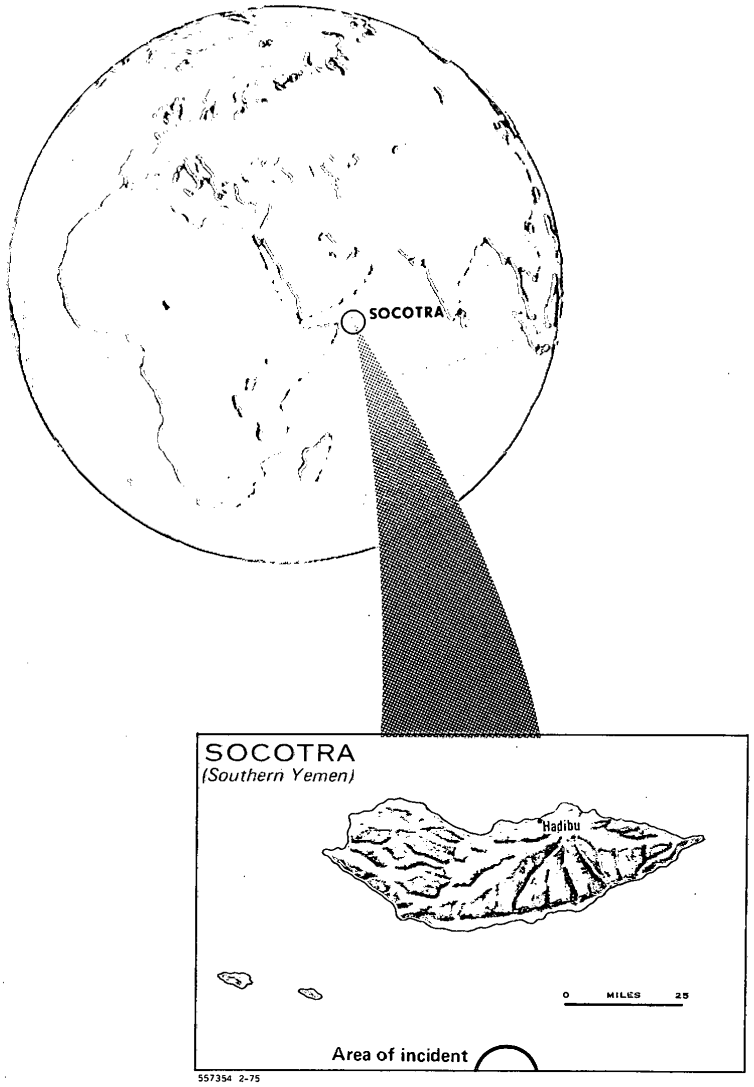

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USSR-US

A Soviet naval ship may have fired at a US destroyer escort in the western Indian Ocean yesterday. If confirmed, it would be the first Soviet firing against a US ship in a number of years and the first real breach in the Soviet-US Incidents at Sea Agreement signed in May 1972.

The USS Joseph Hewes was engaged in routine surveillance of Soviet ships anchored off Socotra Island when smoke and a water splash were seen about a mile to the west of the ship. The sighting was followed by the sound of an explosion. US personnel believe a medium-sized projectile was fired by a Soviet ship, although no gun flash was observed. Guns on a Soviet Petya I destroyer escort, located about four miles to the east of the Hewes, were observed trained on the US ship.

A US helicopter, reconnoitering and dropping sonobuoys on the far side of the Petya, was ordered to return to the Hewes following the explosion. The Petya's guns reportedly followed the helicopter as it passed by, which would be a breach of the Incidents at Sea Agreement in itself.

The US ship immediately moved out of range of the Soviet guns, but is remaining in the area until tomorrow as originally planned. The Hewes has been ordered to continue surveillance, but to discontinue the helicopter operations and to take no action that the Soviets could construe as "harassing, threatening, or provocative."

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ISRAEL-EGYPT

Tel Aviv may not be wedded to its demand that Egypt make a written declaration of non-belligerency as part of a second-stage agreement on the Sinai.

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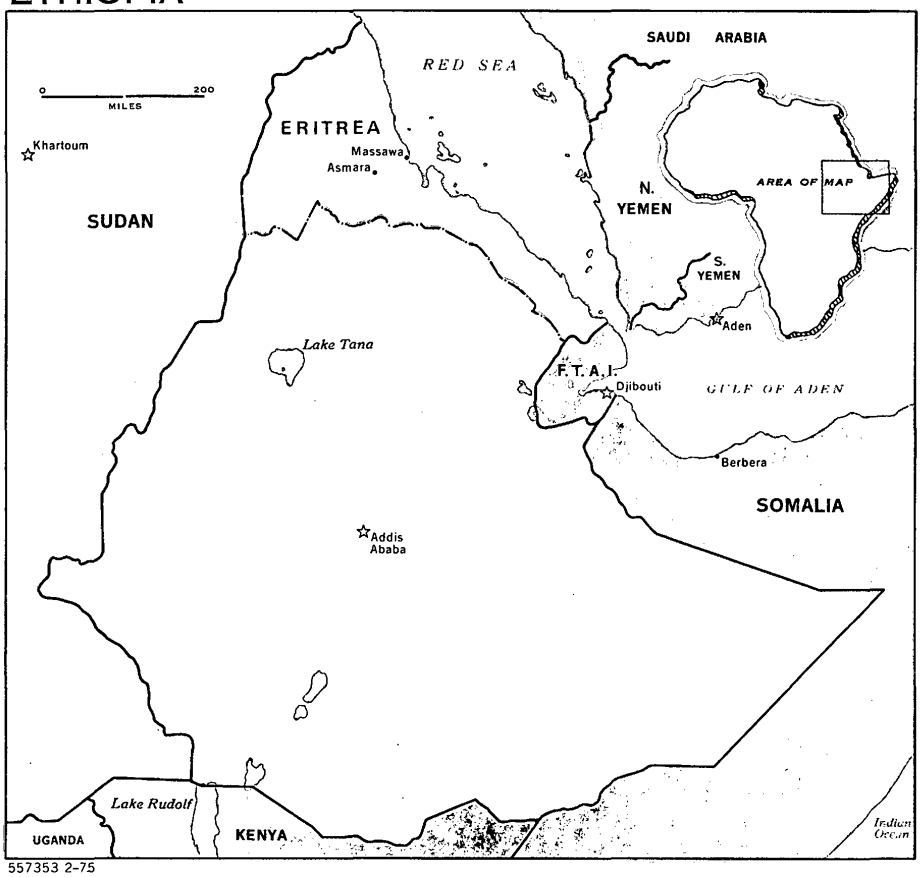
ETHIOPIA



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ETHIOPIA

The military still appears confident that it can defeat the Eritrean insurgents, and heavy fighting is continuing.

Government forces yesterday used artillery and aircraft to attack a village near Asmara suspected of being held by the Eritrean insurgents. The artillery fire came from a tract adjacent to a US communications facility, forcing the evacuation of US personnel to the compound of the consulate general in Asmara. Heavy fighting was also reported some 50 miles northwest of Asmara, as well as near the Red Sea port of Massawa.

this week that he is confident of success, but concerned about the continuing indiscipline in the armed forces, defections in the air force and navy, and the war's high cost. 25X1

Our embassy reports that the ruling military council's propaganda, media manipulation, and national unity demonstrations have attracted support for a no-compromise policy on Eritrea. This support may wane, however, as the war's cost becomes apparent to the country's educated urban population.

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PORTUGAL

The Armed Forces Movement's 200-member General Assembly has approved a seven-point program to formalize the military's role in governing the country. Reliable sources have told US embassy officials that the plan, approved last Monday, is being discussed with the military rank and file and with political party leaders.

The program provides that:

--The Movement will continue to guide Portugal's political process indefinitely.

--The recently announced economic plan cannot be made more conservative, only more "progressive."

--The campaign for constituent assembly elections will not begin on March 3 unless the political parties have agreed to minimum standards for their platform set by the Movement.

--Presidential candidates must be approved by the Movement.

--The future constitution will be based on the program that the Armed Forces Movement published shortly after the coup last April.

--The new constitution will grant full legislative powers to the Council of State, now a rubber-stamp body. The Council will be controlled by the military, and the Movement will participate in selecting the civilians that compose one third of the Council.

--The Movement will choose the minister of defense and economy after a constitutional government is elected.

Although they have repeatedly insisted that they do not intend to install a military dictatorship, Movement officers have been impatient with the

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bickering among political parties and believe they must keep a firm hand on Portugal's progress. They fear that an inexperienced civilian government might destroy the changes they have already instituted, or that continuing dissension might precipitate a return to a right-wing system.

The program is certain to provoke opposition from Portugal's civilian leaders, although even moderate politicians recognize that the Movement must play some role in preserving security and guaranteeing basic civil liberties. Moderates will resist, however, those parts of the program that they regard as an overly active intervention by the military in political affairs.

Both Socialist and Popular Democratic leaders were critical of the new "legislative" powers given to the seven-man military junta earlier this month. Since then, Movement members, including Prime Minister Goncalves, have retaliated by attacking those--notably Socialist Party leader Soares--who have warned against the possibility of a "civil war" and of divisiveness within the Movement.

Yesterday, Soares abruptly canceled a trip to Bonn; he may have decided he needs to concentrate on his party's response to the Assembly's program.

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CYPRUS-UN

UN Secretary General Waldheim has returned from a trip to the eastern Mediterranean hopeful that further internationalization of the Cyprus issue can be avoided and the intercommunal talks between Greek and Turkish Cypriots renewed.

In his conversation with the Greek Prime Minister, Waldheim detected a note of desperation in Karamanlis' insistence on the need for some forward movement to help strengthen his hand in dealing with restiveness in Athens. Waldheim told Ambassador Scali that Karamanlis believed that if progress is not made on the Cyprus issue within a reasonable time, he is in danger of losing control to right-wing elements in the military.

Karamanlis indicated he was willing to become personally involved in efforts to negotiate a settlement, if he could get a statement clarifying the Turkish position, and presumably showing some flexibility, on three crucial elements:

--An agreement on a federal state.

--The number of Turkish Cypriot zones.

--The percentage of the island to be included in a Turkish sector.

The Turks have not formally presented their position on these issues, but have made it clear that they will accept only one zone--a biregional state--with a weak central government; in essence, a loose confederation of two autonomous states.

Waldheim found the Turks anxious to get on with the negotiations that were suspended when the Greek side brought the matter to the Security Council. The Turks turned down the Greek suggestion that the talks be transferred from Nicosia to New York, but were receptive to Vienna as an alternative site.

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Turkish Foreign Minister Esenbel confirmed this to US Ambassador Macomber, noting that he was delighted with the prospect of shifting the talks from Nicosia and the overshadowing presence of Archbishop Makarios. The Turks, however, gave neither Waldheim nor the US ambassador any indication that they were prepared to make any new moves to break the impasse in the talks.

Sentiment in the Security Council appears to be running against any further broadening of the Cyprus talks. Waldheim reportedly told Karamanlis not to expect much from the Council beyond a condemnation of the Turkish Cypriot declaration of an independent federated state and a call for the continuation of the intercommunal talks. The possibility of a Security Council mission to Cyprus, probably to be made up from among the non-permanent members, is also being discussed.

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ARAB STATES

Representatives of the Arab League meeting in Cairo on Sunday will almost certainly take up the question of whether banks with Jewish interests should participate in Arab investment operations.

The growing importance of Arab financial institutions and arbitrary and discriminatory Arab practices against some banks has caused consternation within the international financial community. The problem--for Arab circles as well--is which institutions will be subject to Arab boycott and which will not.

[redacted] 25X1
the boycott problem threatens the wide ties [redacted] 25X1
[redacted] throughout world financial centers. Arab 25X1
League officials share this view and insist that the thrust of the boycott be directed toward banks supporting Israel economically, regardless of nationality or religious associations. Nevertheless, the Kuwait International Investment Company reportedly has withdrawn from a bond issue involving Lazard Freres of Paris, even though this institution is not on the League's boycott list.

The Cairo meeting may well develop into a struggle between hardliners, who seek a broad and sweeping exclusion of all banks judged to be supporters of Zionism, and moderates, led by the Lebanese and Egyptians, who seek softer, individual interpretations of the boycott rules. The meeting is not likely to lead to any clear-cut resolution of the problem.

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NOTE

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